September 5, 2012

His Excellency Mr. Aiuba Cuereneia  
Minister of Planning and Development  
Ministry of Planning and Development  
Maputo  
Republic of Mozambique

Re: Republic of Mozambique: Advance Agreement for Preparation of the Proposed Integrated Growth Poles Project  
Project Preparation Advance No. Q832-MZ

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Mozambique ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank") proposes to extend to the Recipient an advance out of the World Bank's Project Preparation Facility in an amount not to exceed three million Dollars ($3,000,000) ("Advance") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities") hereto. The objective of the Activities is to facilitate the preparation of a proposed project designed to improve the performance of enterprises and smallholder farms in Tete and Nampula ("Project"), for the carrying out of which the Recipient has requested the World Bank's financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective (“Effective Date”) as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received this countersigned copy within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank has established a later date for such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Laurence C. Clarke
Country Director for Mozambique
Africa Region

AGREED:

REPUBLIC OF MOZAMBIQUE

By:

[Signature]
Authorized Representative

Name: Ambo Cuerencia
Title: Minister
Date: 31/01/2010

Enclosures:

(1) “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility”, dated July 31, 2010
(2) Disbursement Letter for the Advance of the same date as this Agreement, together with “World Bank Disbursement Guidelines for Projects”, dated May 1, 2006
(5) Guidelines on “Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011
1.01. **Standard Conditions.** The Standard Conditions (as defined in Section 1.02 below) constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following additional terms shall have the following meanings:

(a) "Anti-corruption Guidelines" means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.

(b) "Consultants’ Guidelines" means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.

(c) “DASP” means Administrative Department of Public Services within the MIC (as hereinafter defined).

(d) “GAZEDA” means a Mozambican government body established on December 18, 2007 to promote and coordinate activities related to the establishment, development and management of special economic areas and free industrial areas.

(e) “GAZEDA SEZ” means special economic zones established through the Recipient’s resolution.

(f) “MIC” means the Recipient’s ministry of industry and commerce, and any successor thereto.

(g) “National Directorate of Planning” means the directorate within the Recipient’s ministry of planning and development, in charge of implementing the Activities.

(h) “Procurement Plan” means the Recipient’s procurement plan for the Activities, dated June 26, 2012, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.


(j) “Training” means the expenditures incurred to finance the reasonable cost associated with training and workshop participation under the Activities, encompassing of: travel and subsistence costs for training participants, costs (other than consulting services) associated with securing the services of trainers and presenters, rental of training facilities, translation and interpretation services, and preparation and reproduction of training materials.
(k) "ZVDA" means the Zambeze Valley Development Agency created on June 30, 2010 pursuant to Decree No. 23/2010.

Article II
Execution of the Activities

2.01. Description of the Activities. The Activities for which the Advance is provided consist of the following parts:

(i) Carrying out of a comparative assessment of business environment constraints in Tete, Nampula and Maputo focusing on key sector;

(ii) recruitment of a senior technical advisor for the DASP unit of the MIC to support design of the BE reform program under the Project;

(iii) carrying out of a training needs assessment for business environment reform;

(iv) design of a monitoring and evaluation system for BE reform;

(v) establishment of a planning process and institutional framework aimed to strengthen the Recipient’s institutional capacity at the provincial, municipal, and district levels;

(vi) preparation of the terms of reference for the provincial, municipal and district master plans aiming at establishing zoning and town planning guidelines, land administration and infrastructure development plans for orderly, efficient and sustainable development of the urban areas;

(vii) carrying out of an institutional capacity and training needs assessment of the ZVDA’s and GAZEDA’s team

(viii) design of the new one stop shop at GAZEDA SEZ office in Nacala and a streamlined electronic processing system for business registration and licensing.

(ix) preparation of bidding documents for the procurement of the engineering, procurement and construction contractor for the priority infrastructure program.

(x) design of the Project’s innovation and demonstration catalytic grant facility.

(xi) design the Project’s impact evaluation and monitoring framework;

(xii) design of the Project’s environmental and social safeguard instruments, including an environmental and social management framework, a resettlement policy framework, an integrated pest management plan, a strategic environmental and social assessment, and a comprehensive social impact assessment;

(xiii) preparation of: (a) a governance and accountability action plan; (b) a communication action plan; and

xiv) recruitment of project staff, including inter alia an advisor.
2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through the National Directorate of Planning in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) the Anti-Corruption Guidelines.

2.03. **Institutional and Other Arrangements.** (a) Without limitation upon the provisions of Section 2.02 of this Agreement, the Recipient shall maintain, throughout the Project preparation, the National Directorate of Planning with terms of reference and resources acceptable to the World Bank and supported by competent staff in adequate numbers to be responsible for the overall coordination and management of the Activities including procurement and financial management.

(b) Without limitations upon the foregoing, the Recipient shall, within three (3) months of Effective Date of this Agreement, recruit an accountant within the Recipient’s National Directorate of Planning, to support the financial management activities of the Advance and for the proposed Project.

2.04. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions.

(i) If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, the Recipient shall have the Financial Statements included in the first audit of financial statements required under the Refinancing Agreement.

(ii) If, by the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, such audit of the Financial Statements shall cover the period of the Advance, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of the Recipient’s fiscal year in which the Refinancing Date occurs.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) of this Section, the World Bank may request an audit of the Financial Statements prior to the Refinancing Date, covering such period as is indicated in its request. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.
2.06. **Procurement**

(a) **General.** All goods and consultants’ services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:

(i) Sections I and IV of the Consultant Guidelines, in the case of consultants’ services; and

(ii) The provisions of this Section, as the same shall be elaborated in the Procurement Plan.

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II, III, IV and V of the Consultant Guidelines.

(c) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(B) Least Cost Selection</td>
</tr>
<tr>
<td>(C) Single-source Selection of consulting firms</td>
</tr>
<tr>
<td>(D) Selection of Individual Consultants</td>
</tr>
<tr>
<td>(E) Single-source procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

(d) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III**

**Withdrawal of the Advance**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Advance ("Category"), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Advance Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants' services and Training</td>
<td>3,000,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>3,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Refinancing Date.** The Refinancing Date is April 15, 2013.

**Article IV**

**Terms of the Advance**

4.01 **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) **Repayment in the absence of a Refinancing Agreement:** If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

(i) if the amount of the Withdrawn Advance Balance does not exceed $50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice;
(ii) if the amount of the Withdrawn Advance Balance exceeds $50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

Article V
Recipient’s Representative; Addresses

5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 9.02 of the Standard Conditions is its minister in charge of Planning and Development or any successor thereof.

5.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 9.01 of the Standard Conditions is:

Ministério de Planificação e Desenvolvimento
Caixa Postal 4087
21 Av. Ahmed Sekou Touré
Maputo
Republic of Mozambique

Cable: MEF
Telex: 257 MEF B1
Facsimile: (258) 21492625

5.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 9.01 of the Standard Conditions is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391